

April 2010: Instrumentation Quarterly

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A Specialty Investment Bank

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First Quarter Highlights

- Middle market M&A deal volume increased by 34% in Q1 2010 on a year-over-year basis. Aggregate deal value rose by 63% during the same period.
- As of March 31, 2010 the S&P 500 and Dow Jones Industrial Average were up 5% and 4% YTD.
- The national unemployment rate fell to 9.7% in Q1 2010.
- In 2009, aggregate M&A deal value in the Instrumentation sector was approximately \$2.7 billion with 43 announced deals.

Moving Out

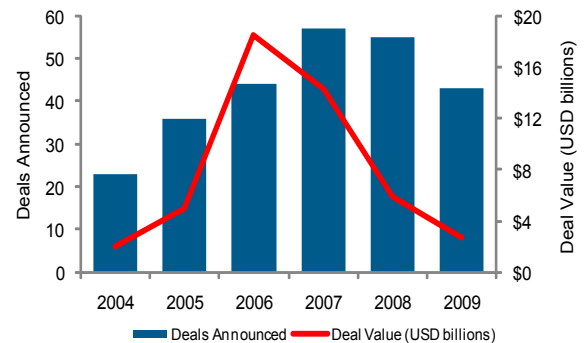
Over the last several years, Instrumentation technology has moved beyond the research lab and onto the shop floor and into the field. The largest markets are those that exhibit high levels of design and manufacturing complexity, including communications, semiconductors, electronics, agriculture/food testing, power generation, and life sciences. Although disruption to these end markets has impacted the growth of many Instrumentation companies, the sector still possesses key factors that will drive continued consolidation.

Different Perspectives

M&A activity in the Instrumentation sector is typically driven by two motives from different perspectives. On one hand, M&A activity occurs as corporations look to divest non-core assets as they refine business models and focus operations. On the other hand, M&A activity is also observed as middle market companies look to mitigate risk through product and end-market diversification.

The economic slowdown can be viewed as a double-edged sword for the Instrumentation sector. The decline in stock values in the sector has decreased the ability of potential acquirers to use stock as acquisition currency,

Instrumentation M&A Activity



Source: Capital IQ

but has also resulted in public companies with more attractive valuations to potential acquirers than in recent years.

Return of PE

Historically, the larger strategic buyers have been the most active in the Instrumentation sector, due to strong balance sheets and market presence. Through 2009, strategic buyers continued to pursue a focused and disciplined acquisition strategy as they broadened product offerings and end-markets. However, the second half of 2009 and beginning of 2010 saw consistent activity from the private equity community, attracted by unique sector dynamics and EBITDA margins enhanced by an improving global economy.

Back in Business

As 2010 matures, we expect increased M&A activity in terms of deal volume and transaction value. Although 2009 was noted by the absence of mega-deals, we anticipate the resurgence of large scale transactions, as the industry increases its global footprint. Middle market activity will remain steady and focused on niche providers exhibiting above average margins. These entities will enjoy courtship from both strategic buyers and private equity investors.

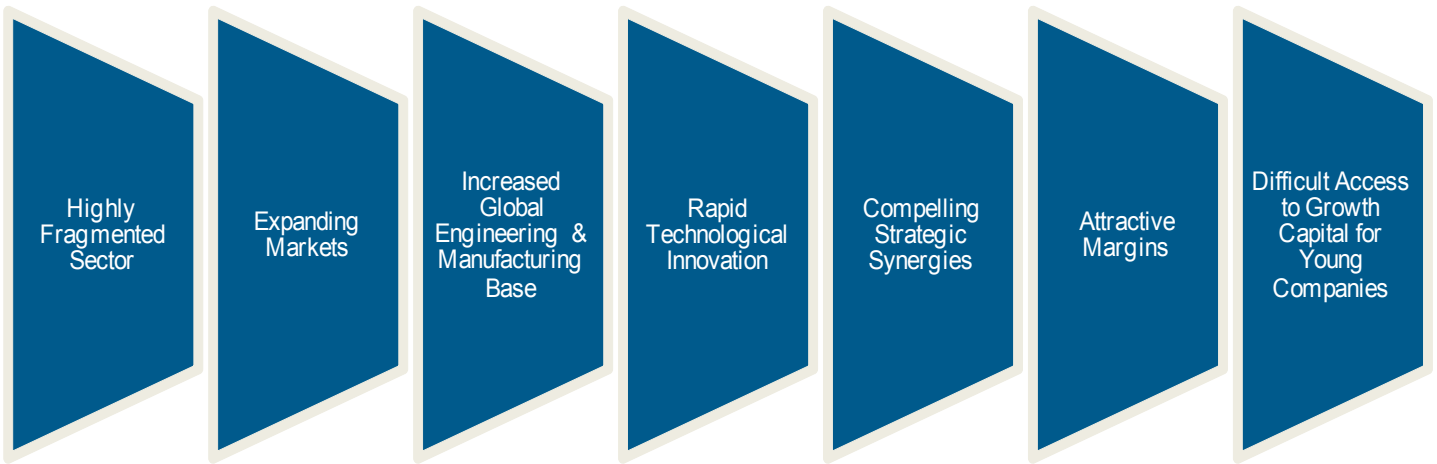
Thermo Fisher was particularly active in the first quarter of 2010 with the acquisitions of Ahura Scientific, Cezanne, and NovaWave Technologies.

Selected Instrumentation Transactions

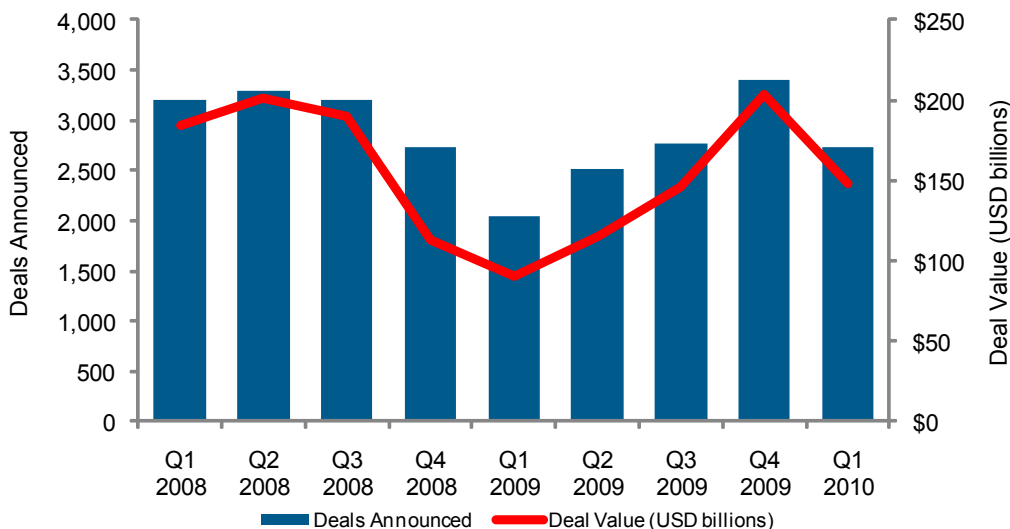
Category	Announcement Date	Target	Acquirer	Enterprise Value (\$mm)	Enterprise Value to LTM	
					Revenue	EBITDA
Flow Control	Mar-10	CIC Engineering <i>Control systems and instrumentation</i>	Grenland Group <i>Engineering and process solutions</i>	-	NA	NA
Life Sciences	Mar-10	Sebia <i>Electrophoresis-based diagnostic equipment</i>	Cinven <i>Private Equity</i>	1,101	6.7	13.3
Test & Measurement	Feb-10	Nova Analytics <i>Laboratory, field, and online instrumentation</i>	ITT <i>Engineered instruments for industrial use</i>	390	2.9	NA
Test & Measurement	Feb-10	NovaWave Technologies <i>Laser-based chemical detection systems</i>	Thermo Fisher <i>Analytical instruments, equipment, and reagents</i>	-	NA	NA
Test & Measurement	Feb-10	Dantec Dynamics <i>Integrated measurement systems</i>	Nova Instruments <i>Non-destructive test and measurement instruments</i>	22	0.7	NA
Test & Measurement	Jan-10	Ahura Scientific <i>Handheld optical chemical ID systems</i>	Thermo Fisher <i>Analytical instruments, equipment, and reagents</i>	145	3.2	NA

Sources: Capital IQ and 451 Group

Instrumentation M&A Drivers



Overall Middle Market M&A Activity



Thermo Fisher was active in Q1 2010 with two noteworthy transactions in the Test & Measurement sector. The re-emergence of private equity investors will drive deal activity going forward

2009 was capped off with a strong fourth quarter, as middle market deal volume increased by nearly 25% on a year-over-year basis. Deal volume and aggregate deal value in Q1 2010 increased by 34% and 63% on a year-over-year basis.

Sources: Capital IQ and 451 Group
Note: Statistics include announced mergers and acquisitions with disclosed value of less than \$1 billion

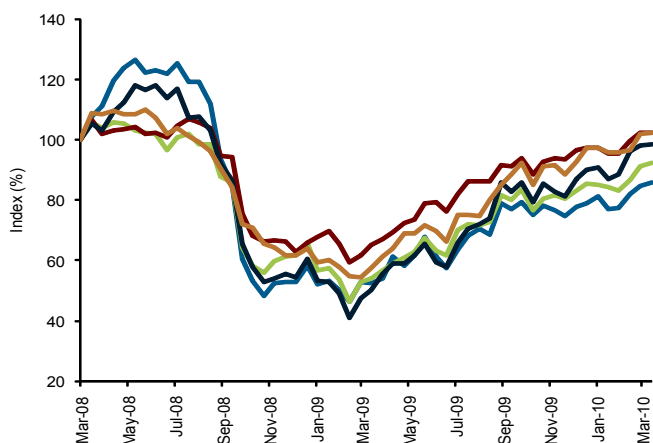
Public Trading Comparables

	Stock Price Change			EV / Revenue		EV / EBITDA		P / E	
	3 months	6 months	12 months	2009E	2010E	2009E	2010E	2009E	2010E
Flow Control	10.4%	16.8%	57.0%	1.4x	1.2x	10.4x	9.3x	20.4x	22.4x
Fully Integrated	13.0	25.2	77.4	2.2	1.4	11.6	11.0	19.5	19.0
Life Sciences	8.5	17.9	56.2	2.2	2.0	13.3	11.0	20.1	17.8
Material Handling	11.0	31.3	98.2	2.5	2.2	13.4	10.4	26.1	18.6
Test and Measurement	9.8	20.0	52.8	2.5	2.2	14.0	11.5	24.7	19.4
Overall Median	10.4%	20.0%	57.0%	2.2x	2.0x	13.3x	11.0x	20.4x	19.0x

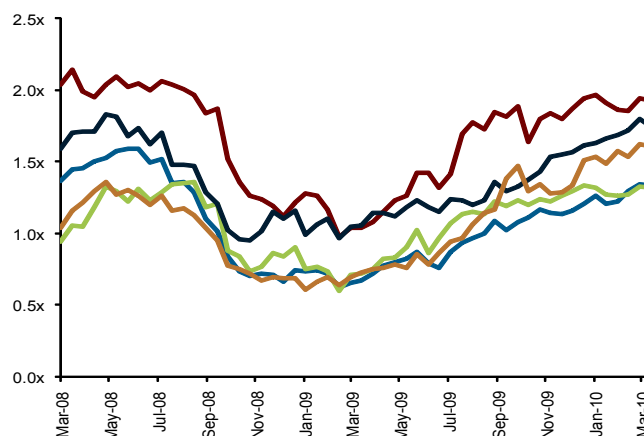
	Index Price Change		
	3 months	6 months	12 months
NASDAQ Composite Index	5.7%	17.1%	56.9%
Dow Jones Industrial Average	4.1	14.4	42.7
S&P 500 Index	4.9	14.1	46.6

Note: Large Cap defined as market capitalization of more than \$1 billion as of March 31, 2010

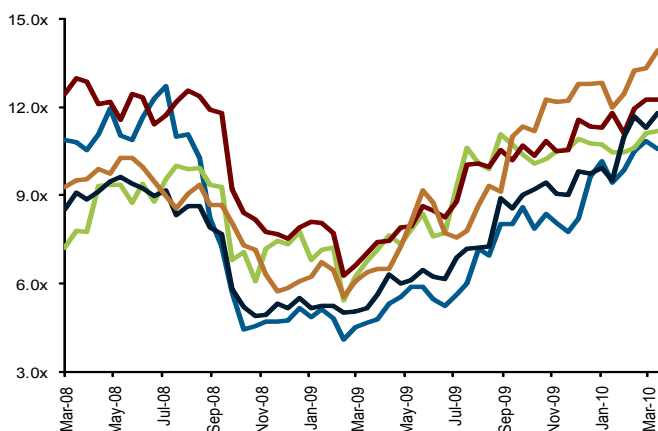
Stock Performance



EV/Revenue Multiples



EV/EBITDA Multiples







Legend

- Flow Control
- Fully Integrated
- Life Sciences
- Material Handling
- Test and Measurement

Sources: Capital IQ and company filings

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Recent Transactions

 <p>acquired by</p>  <p>\$133,000,000</p>	 <p>entered into a development partnership with</p> 	 <p>acquired by</p> 	 <p>acquired by</p>  <p>\$63,400,000</p>
 <p>acquired by</p>  <p>\$12,500,000</p>	 <p>acquired by</p> 	 <p>acquired by</p>  <p>\$6,500,000</p>	 <p>acquired by</p>  <p>\$78,400,000</p>

Industry Expertise

Business Services

- Consulting
- Government
- Payment & Transaction Processing
- Real Estate Services
- Research

Healthcare

- Clinical Trial Services
- Diagnostics
- Disease Management
- Healthcare Information Technology
- Medical Product Outsourcing
- Medical Devices
- Tools and Reagents
- Therapeutics

Consumer and Industrial

- Analytical Instrumentation
- Consumer Products
- Energy
- Manufacturing & Distribution
- Transportation & Logistics

Technology

- Communications
- Digital Media Technologies
- Enterprise Software
- Hardware
- IT Services
- Reseller/Distribution

About Covington

Covington Associates is a specialty investment banking firm founded in 1991 serving business services, consumer & industrial, healthcare, and technology companies throughout the country.

Focused on mergers and acquisitions, debt and equity capital raising, debt and equity restructuring, and strategic advisory assignments for middle market companies, Covington Associates has completed transactions ranging in value from \$10 million to close to \$2 billion for both private and publicly traded companies.

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